

§ 1806.26

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(ii) The structure must be designed and anchored to prevent flotation, collapse or lateral movement of the structure.

(iii) Construction materials and utility equipment that are resistant to flood damage must be used.

(iv) Construction methods and practices that will minimize flood damage must be followed.

(3) If the financial assistance is to make minor repairs, the conditions of paragraphs (a)(1) (i) and (ii) and (2) (i), (ii) and (iii) of this section must be met or the building must have existed on the site prior to the date the area was identified as having special flood or mudslide hazards and the loan approval official must determine that the dwelling is suitable as a residence.

(4) When applications for financial assistance are received in areas identified as having special flood and mudslide hazards, the loan approval official will consider the expected severity and frequency of floods and mudslides in determining whether any housing loans should be made in the area. He should be sure, if loans are made, that the objectives of the loans can be accomplished and the Government's financial interest will be adequately protected.

(b) *Nonresidential buildings.* Construction plans and specifications for new buildings or improvements to existing buildings must comply with flood plain area management or control laws, regulations or ordinances.

(c) *Flood insurance coverage.* (1) Any property on which flood insurance is required must be covered by such insurance during its anticipated economic and useful life in an amount at least equal to its development or replacement cost (except estimated land cost), or to the maximum limit of coverage made available with respect to the particular type of property under the National Flood Insurance Program, whichever is less. However, if the financial assistance provided is in the form of a loan, the amount of flood insurance required need not exceed the outstanding principal balance of the loan and need not be required beyond the term of the loan.

(2) The contents of a building must be insured separately from a building but coverage cannot be written on the

contents of a three-walled machinery shed or similar type open building.

(3) Flood insurance shall not be required on any state owned property that is covered under an adequate state policy of self-insurance satisfactory to the Secretary of HUD, who will publish a list of states with such policies.

(4) It will be emphasized that under the terms of the security instrument it is the borrower's responsibility to provide and maintain proper flood insurance coverage. If flood insurance is not provided on any property for which it is required, the flood insurance premium will be paid to protect the Government's security interest. For borrowers required to escrow for flood insurance, payment of the premium will be handled in accordance with § 1806.28 of this subpart. Existing borrowers required to escrow will be notified by letter at least 90 days prior to initiating escrowing for flood insurance. If FmHA or its successor agency under Public Law 103-354 pays the flood insurance premium for borrowers not required to escrow, the cost will be charged to the borrower's account as a recoverable cost. Failure to provide flood insurance is a nonmonetary default and will be a consideration in determining if the loan is to be continued.

[39 FR 17093, May 13, 1974, as amended at 52 FR 8002, Mar. 13, 1987; 56 FR 6945, Feb. 21, 1991]

§ 1806.26 Coverage and premium rates.

Exhibit A sets forth limits of coverage and chargeable premium rates under the program. Insurance policies under the program can be obtained from any licensed property insurance agent or broker serving the eligible community or from the National Flood Insurers Association Serving Company (Serving Company) for the state. The Servicing Company for each state is shown in exhibit B.

§ 1806.27 Acceptable policies and servicing.

The general acceptance of policies and servicing of insurance will be performed in accordance with Subpart A of this part. Any unusual situations that may arise with respect to obtaining or servicing flood insurance should be referred to the State Director. The

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State Director will attempt to resolve any problems concerning the flood insurance program in the state with the Servicing Company. Flood hazard boundary maps, insurance rate tables, the insurability of specific structures, and other information concerning the program may be obtained from the Servicing Company. Difficulties in administering the program which the State Director is unable to resolve should be referred to the National Office for Assistance.

§ 1806.28 Borrowers required to escrow.

For borrowers required to use escrow accounts for the payment of real estate taxes and insurance, the flood insurance premium will be paid when due from funds contained in the escrow account. If the escrow account contains insufficient funds to pay the flood insurance premium when due, the County Supervisor will request the borrower to pay an amount equal to the difference between the premium due and the escrow balance in a lump sum within 30 days after notification. If the borrower fails to remit the amount requested, the amount will be advanced and charged to the borrower's account as a recoverable cost. The amortization period for an advance due to an escrow shortage will be one year. Amortization of the charge will be handled in accordance with 7 CFR part 3550. When a borrower has more than one loan secured by the real estate on which the flood insurance premium is being paid, the advance will be charged to the initial or lowest numbered loan.

[56 FR 6946, Feb. 21, 1991, as amended at 67 FR 78326, Dec. 24, 2002]

**EXHIBIT A TO SUBPART B OF PART 1806—
COVERAGE AND PREMIUM RATES**

1. The following table sets forth the limits of coverage available under the program:

| Type of structure | Structure coverage | | Contents of coverage ⁴ | |
|---|--------------------|--------------------|-----------------------------------|--------------------|
| | Subsidized | Total ³ | Subsidized | Total ³ |
| Single family, residential ¹ | \$35,000 | \$70,000 | \$10,000 | \$20,000 |

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| Type of structure | Structure coverage | | Contents of coverage ⁴ | |
|---|--------------------|--------------------|-----------------------------------|--------------------|
| | Subsidized | Total ³ | Subsidized | Total ³ |
| All other, residential ¹ | 100,000 | 200,000 | 10,000 | 20,000 |
| All nonresidential ² | 100,000 | 200,000 | 100,000 | 200,000 |

¹For Alaska, Hawaii, and the Virgin Islands, the following limits of coverage apply: Structure coverage for one family residential is \$50,000 subsidized and \$100,000 total coverage, and structure coverage for other residential is \$150,000 subsidized and \$300,000 total coverage.

²Includes hotels and motels with normal occupancy of less than 6 months.

³Coverage in amounts exceeding the subsidized limits is available only after an actuarial cost has been established and flood insurance rate may be issued.

⁴Contents of a building must be insured separately from the building. However, coverage is applicable to contents only while in an enclosed building. Therefore, coverage cannot be written on the contents of a three-walled machinery shed or a similar type open building.

2. The following table sets forth the applicable premium rates:

| Type of structure | Rates per \$100 of coverage (subsidized only) | |
|--------------------------|---|----------|
| | Structures | Contents |
| All residential | ¹ \$0.25 | \$0.35 |
| All nonresidential | 1.40 | .75 |

¹ Actuarial (nonsubsidized) rates are applicable to any structure, the construction or substantial improvement of which started after Dec. 31, 1974, or the date on which the initial rate map was issued, whichever is later, in identified areas having special flood or mudslide hazards.

**EXHIBIT B TO SUBPART B OF PART 1806—
SERVICING COMPANY**

The servicing company office to be contacted for information relative to the availability of coverage under the national flood insurance program, flood hazard boundary maps, insurance rate tables, and related material.

E.D.S. Federal Corporation, National Flood Insurance, P.O. Box 34294, Bethesda, Md. 20034, phone toll-free 800-638-6620; commercial phone 301-898-5900.

(7 U.S.C. 1989; 42 U.S.C. 1480; 42 U.S.C. 2942; 5 U.S.C. 301; delegation of authority by the Secretary of Agriculture, 7 CFR 2.23; delegation of authority by the Assistant Secretary for Rural Development, 7 CFR 2.70)

[43 FR 18538, May 1, 1978]

PART 1807 [RESERVED]

PART 1809 [RESERVED]